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Reports on the work of the Conference of European Statisticians, its Bureau and Teams of Specialists

Implementation of the United Nations Economic Commission for Europe Statistical Programme 2017

Note by the secretariat

Addendum

Report of the Expert Meeting on Measuring Poverty and Inequality

Summary

The document presents the key outcomes of the Expert Meeting on Measuring Poverty and Inequality, which took place from 26 to 27 September 2017 in Budva, Montenegro. The meeting was organized following a decision of the Conference of European Statisticians in June 2017 and the recommendations of the Seminar on Poverty Measurement, held from 12 to 13 July 2016.

The report is submitted to the Conference of European Statisticians for information.

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I. Attendance

1. The UNECE Expert Meeting on Measuring Poverty and Inequality was held on 26–27 September 2017 in Budva, Montenegro. It was attended by participants from Armenia, Austria, Azerbaijan, Belarus, Bosnia and Herzegovina, Canada, Georgia, Germany, Hungary, Israel, Kazakhstan, Kyrgyzstan, Latvia, Luxembourg, Mexico, Montenegro, Poland, Republic of Moldova, Russian Federation, Slovakia, Slovenia, Sweden, Switzerland, Tajikistan, Turkey, Ukraine, United Kingdom of Great Britain and Northern Ireland, United States of America, and Uzbekistan. The European Commission was represented by Eurostat. Interstate Statistical Committee of the Commonwealth of Independent States (CIS-Stat), the United Nations Children's Fund (UNICEF), the United Nations Development Programme (UNDP) and the World Bank were present. Experts from Oxford University (United Kingdom), University of Antwerp (Belgium) and University of Neuchatel (Switzerland) participated at the invitation of the UNECE secretariat.

2. A number of participants could attend the Expert Meeting thanks to the financial support from Russian Federation and the United Nations Development Account.

II. Organization of the meeting

3. Ms. Trudi Renwick of the United States Census Bureau was elected as Chair of the meeting.

4. The following topics were discussed at the meeting:

(a) Stakeholder involvement in indicator development;

(b) National experiences;

(c) Harmonisation of household surveys;

(d) Methodological issues in measuring economic inequalities;

(e) Measurement of vulnerability to poverty;

(f) Measuring wealth and in-kind transfers;

(g) Spatial patterns of poverty;

(h) Discussion on future work.

5. The following participants acted as Discussants: for item (a) Mr. Matthias Till (Statistics Austria), for item (b) Mr. Giorgi Kalakashvili (National Statistics Office of Georgia), for item (d) Mr. Richard Tonkin (United Kingdom Office for National Statistics), for item (e) Ms. Elena Danilova-Cross (UNDP), for item (f) Mr. Andrew Heisz (Statistics Canada), and for item (g) Mr Thomas Christin (Swiss Federal Statistical Office).

6. The discussion at the meeting was based on papers that are available on the UNECE website.[1]

III. Recommendations for future work

7. The meeting discussed a proposal for future methodological work prepared by the UNECE Steering Group on Measuring Poverty and Inequality. The meeting recommended to pursue methodological work on addressing the challenges of disaggregating national

[1] http://www.unece.org/stats/documents/2017.9.poverty.seminar.html

poverty estimates and asked the Steering Group to prepare terms of reference for a task force on this topic.

8. The meeting recommended that the next UNECE Expert Meeting on Measuring Poverty and Inequality will be organized in the second half of 2018.

9. Participants proposed the following topics for discussion at the 2018 Expert Meeting:

(a) Disaggregation of poverty indicators for monitoring the 2030 Agenda for Sustainable Development;

(b) Harmonization of inequality and poverty measures;

(c) Inclusion of imputed rent and social transfers in kind in the income measure;

(d) Asset-based poverty and inequality;

(e) Coverage of hard-to-reach and potentially disadvantaged population groups in data collection;

(f) Spatial patterns of poverty, considering sampling precision and small area estimation;

(g) Potential for producing individual level poverty measures to assess within household inequalities;

(h) Analysing longitudinal measures of poverty;

(i) Comparable indexes of multidimensional poverty: indicators and data requirements;

(j) Good practices in using register data for poverty and inequality measurement;

(k) Subjective poverty.

10. The Steering Group will elaborate the call for papers for the 2018 Expert Meeting and will ask for volunteers to organize the sessions.

IV. Adoption of the report of the meeting

11. The present report was adopted during the closing session.

12. A summary of the discussion in the substantive sessions of the meeting is presented in the annex of this report.

Annex

Summary of discussions

A. Stakeholder involvement in indicator development

1. This session consisted of presentations from Austria, University of Antwerp, Oxford University, UNICEF and the World Bank. UNICEF provided support with a paper on child poverty in Europe and Central Asia.

2. National stakeholder consultations create a sense of ownership on the agreed indicators and help secure commitment for their production and use. Furthermore, a transparent consultation process increases visibility, improves understanding and builds public trust in statistical production. Finally, yet importantly, the consultations facilitate access to funding and resources.

3. Examples of international initiatives where stakeholder involvement at national level is crucial included the monitoring of SDGs, the development of multidimensional poverty measures and the implementation of the Europe 2020 headline target on combating poverty and social exclusion. Participants noted the important role of international organizations in uniting statistical organisations to speak in one voice.

4. Experiences in involving stakeholders vary widely across countries:

- In Mexico, inter-agency committees have been established for various kinds of statistical issues, in which the participation of agencies is mandatory;
- Canada noted a recently collected input through a nationwide consultation using website questionnaires;
- In the United Kingdom, a public consultation with stakeholders and academia on developing new child poverty measures was successful in underlining the limitation of current and the need for supplementary measures;
- Another example of United Kingdom referred to the participation of the Office for National Statistics as advisor in social connection network involving leaders of political parties in establishing the meaning of poverty;
- In the Russian Federation, the consultation process for a Multidimensional Poverty Index identified a list of deprivations consisting of 39 items in 2015; a year later, the corresponding data was obtained through the living conditions and income surveys.

5. Participants encouraged the process of institutionalisation of stakeholder involvement in developing indicators of poverty and inequality, and the establishment of permanent dialogue with all relevant stakeholders.

B. National experiences

6. This session consisted of presentations from Belarus, Montenegro, Slovakia and Ukraine. The session was supported by papers from Belarus on the assessment of poverty, Slovakia on the data resources potential in poverty measurement, and Ukraine on principles in monitoring poverty and effectiveness of social programmes. Discussion was led by Georgia.

7. The presenters described the various methodologies used in their countries where the consumption approach remains the most widely used approach. They compile comparable poverty statistics in line with the EU statistics on income and living conditions. Belarus also produces estimates of subjective poverty and is currently adopting a methodology for developing multidimensional poverty measures.

8. Developing poverty measures for hard-to-reach population groups is one of the priority areas in Slovakia. Since standard surveys do not always adequately inform on poverty of population groups such as Roma population or migrants, specialised surveys were suggested as a possible solution. It was noted that relative poverty measures for these groups might underestimate the depth of their poverty.

9. Belarus and Ukraine presented their work on indicators of poverty and inequality for SDGs. In Ukraine, a consultation on SDG indicators is under way with about 25,000 people. A national reporting platform is planned for indicators and metadata.

10. Countries emphasised the importance of assessing different dimensions of poverty and measuring the impact of changing social policies. It is also important to consider the coherence of the different data sources as well as the use of statistical-mathematical methods, such as statistical matching.

C. Harmonization of household surveys

11. This session consisted of presentations from Eurostat, CIS-STAT and UNECE. It was supported by papers from Eurostat on the revised content of future EU-SILC and from CIS-STAT on the challenges in harmonising for monitoring progress on SDGs in the CIS countries. The reports of a UNECE consultant on developing a model set of survey questions in Eastern Europe, Caucasus and Central Asia were provided as background documents.

12. EU-SILC is currently undergoing a review of its content and methodology as part of a broader project on modernisation of EU social statistics. The main policy requests concerned the extension of coverage to more areas of social policy action at the EU and national levels, and the increase in cross-cutting analyses.

13. The future EU-SILC will be made up of different elements applied at different frequencies. In the revised EU-SILC, the annually collected variables will provide key information on income, labour, material deprivation, health, childcare, education, housing and quality of life. The three-year rolling modules will be dedicated to four domains of high policy importance: children, labour and housing, and health. The six-year rolling modules aim at monitoring structural phenomena and will cover the topics (provided the ongoing tests are successful) of over-indebtedness, consumption and wealth; access to services; intergenerational transmission of disadvantages and housing difficulties; and quality of life (consisting of well-being as well as social and cultural participation variables).

14. New deprivation items are being proposed to calculate the EU material deprivation rate, currently defined as the proportion of people living in households who cannot afford at least 3 of the 9 deprivation items. The remaining methodological challenges include imputation of missing values and the aggregation and measurement of deprivation status of children. Tests in Latvia show that being out of deprivation is less costly when applying the new deprivation items. Difficulties have been experienced in defining "worn-out furniture" and identifying "all-weather shoes" in the case of the Latvian climate.

15. Building on the practices of EU and some CIS countries, a model list of material deprivations developed by CIS-STAT is being proposed for use in the CIS region. The proposed list will be discussed with the national statistical offices. CIS-STAT is planning to

elaborate recommendations for including a harmonized set of questions on deprivations into countries survey programmes.

16. Methodological guidelines or additional clarifications are needed to produce those SDGs indicators, for which CIS countries currently do not collect data. The review of the current practices on the poverty-related SDG indicators by CIS-STAT suggested that special household surveys could be an important source to collect data on welfare benefits and allowances. The Russian Federation shared their experience in collecting information on participation in social programmes, an important practice for calculating the SDG indicator 1.3.1 on social protection.

17. Participants noted that efforts for harmonising surveys should be strengthened. The household surveys analysis and model set of survey questions developed to address the essential needs for poverty measurement under the UNECE project "Harmonized poverty indicators for monitoring sustainable development" were found valuable. Countries are looking forward to the next steps in the project and some have already volunteered to test the model set of questions.

D. Methodological issues in measuring economic inequalities

18. The session consisted of presentations from Austria, Bosnia and Herzegovina, Mexico and Latvia. The session was supported by papers from Austria on income data sources, Bosnia and Herzegovina on consumption and income indicators, Mexico on income distribution and Latvia on material deprivation. Discussion was led by United Kingdom.

19. In EU-SILC, since the income reference period is an entire one year (usually the previous calendar year), inconsistencies may emerge due to changes in household composition during that year. To address the issue, in Austria, the current monthly household income is being discussed as an alternative approach to assess the financial situation and calculate at-risk-of-poverty rate. The calculations based on EU-SILC show that for surveys that cannot extensively elaborate on the income measurement like EU-SILC, the current monthly income could be a useful alternative approach.

20. Due to underreporting and truncation (households with very large incomes are absent from the sample), it is difficult to accurately measure income from household budget surveys. Analysis in Bosnia and Herzegovina showed that, as in most countries, consumption-based measures of poverty and inequality were lower than income-based measures. Mexico considered other sources, such as SNA and tax authorities' data, to evaluate the above-mentioned underestimation. This method could help generate a new and more realistic version of income distribution.

E. Measurement of vulnerability to poverty

21. This session consisted of presentations from Russian Federation, UNDP, Mexico, Canada, and the World Bank. The session was supported by papers from UNDP on transitions in and out of poverty in Albania, Mexico on data input for multidimensional poverty, and Canada on social exclusion. Discussion was led by UNDP.

22. Recent research of UNDP looked at the dynamics around poverty, disentangling the transition in and out of poverty from the net poverty measure. For Albania, for example, this poverty research reveals that the factors lifting families out of poverty often differ from those factors causing non-poor households to fall into poverty. Falling into poverty is caused by the lack of social protection and social care, lack of assets or a combination of all

the above. Better understanding these different factors is informative to policies trying to eradicate poverty nationally.

23. As movements around the poverty line are quite dynamic, the meeting took stock of different approaches and measures of vulnerability to poverty and at-risk-of-poverty being applied in the region, both from unidimensional and multidimensional point of view. Unlike poverty, which is generally measured on an ex-post basis, i.e. by taking the consumption or income realized, vulnerability to poverty is referring to those who are expected to be poor in the future, and therefore its measure is highly relevant for forward-looking anti-poverty interventions.

F. Measuring wealth and in-kind transfers

24. This session consisted of presentations from Israel, Slovenia, and University of Neuchatel (Switzerland). The session was supported by papers from Israel on poverty measurement, including in-kind transfers and dwellings, and from the University of Neuchatel (Switzerland) on the importance of wealth for measuring poverty and inequality. Discussion was led by Canada.

25. There is a strong need for accounting for educational services as this may lead to underestimating child poverty. In Israel, the inclusion of in-kind benefits from education services in the estimation decreased most the poverty level of households with three or more children.

26. The inclusion of wealth, and particularly housing wealth, in the income-based measures of poverty and inequality would allow considering the well-being of people in the long term. This is especially important in countries with a high rate of house ownership (as in Slovenia) or with high prices on the real estate market (as in Switzerland). In Slovenia, it was found that real estate inequality appears to be much higher than income inequality. In Switzerland, further analysis by age group showed that young adults tend to be deprived in wealth whereas older adults tend to be more frequently income poor.

27. Countries noted difficulties in communicating measures that include housing wealth to the public. United States shared their experience with reporting elderly poverty rates. They have established three thresholds, which they communicated to the public: for renters, for people with mortgage and for owners. This way of reporting was easily comprehended by the public.

28. Income and consumption provide only a partial view of the economic resources that are available to individuals and households. Knowing about the levels of wealth (or debt) is important for a better understanding of the economic well-being of people. Other factors, such as social transfers in kind, are also important for comparing rates and experiences of poverty across countries, as well as for making international comparisons of the level of economic well-being more broadly.

G. Spatial patterns of poverty

29. This session consisted of presentations from the United States and the World Bank. The session was supported by a paper from the United States on geographic differences analysis in housing costs based on their supplemental poverty measure. Discussion was led by Switzerland.

30. Regional price differences lead to similar bundles of goods to be more expensive in one region than in another. Because of this, higher expenditures do not necessarily reflect greater well-being. A price index is a useful way to separate real from nominal income in

order to allow for comparisons. In the case of United States, for example, the poverty thresholds adjustment for the supplemental poverty measure to account for geographic differences in housing costs is based on median rents of a specific type of rental unit, because food prices do not vary that much for the United States while rents do.

31. Spatial patterns of income and consumption poverty are extremely persistence over time and could provide complementary information for policy. Even when poverty rates decline, the spatial agglomeration for the same poor municipalities is likely to remain. In that context, poverty maps are a useful tool for ex-ante evaluations of spatial patterns of poverty and can provide a visual easy to grasp message on the concentration of poor in a country at lower regional levels.

32. Lagging regions have received much attention and concern from public policymakers across the world, but especially in Europe, where substantial European structural and investment funds have been used to reduce regional inequalities and build cohesion. An index of multiple deprivations for small areas was proposed, composed of access to services and economic and social deprivations.

33. Geographic aspects of inequality and poverty have become an important component of poverty research and policy analysis. Significant geographic variation in the rates of poverty may be due to differences in resource endowments, education, health services, and other factors. Consequently, data sets that provide information for the incidence and magnitude of poverty across space have gained an increasing attention